

DILEMMA OF THE BOUTIQUE QUEENSLAND SCALLOP

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With increased production of the saucer scallop (*Amusium balloti*) in Western Australia and Queensland over the past three years, great pressure has been placed on the Queensland scallop to maintain its share of two niche markets in the face of forces which are changing market conditions. Western Australian scallops have been sold in Singapore and Hong Kong beneath Queensland prices. Many buyers are now finding Western Australian scallop acceptable 'at the price'. To redress this situation and diversify into other markets, the Queensland scallop industry must be more price competitive.

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The market for Australian saucer scallops (*Amusium balloti*) is unusually specialised. A niche market for roe-off saucer scallop meat commands a substantial price premium in Singapore and Hong Kong. Queensland and WA saucer scallops are closely related but not identical and have not been interchangeable in a market sense.

In this paper, I describe markets for saucer scallop meats. Costs associated with perishable commodities never decrease - there are unavoidable costs associated with interest, insurance, cold store charges and the like. Perishable commodity markets can be volatile. The main method of reducing risk is to sell as produced, providing cost was covered and hopefully a small profit margin maintained. If, on the other hand, marketing does not equate with product cost, withdrawal from that particular item, at least on a temporary basis, is indicated.

THE QUEENSLAND SCALLOP FISHERY

In 1978, QLD scallop meat exported was 200-300 tonnes. The fishery was regarded as a short term 'fill-in' between prawn seasons. On a quantity - price basis, prawns were regarded as more attractive to fishermen. Since 1978 there has been a steady build-up of trawlers which now regard scallops as their main target. These are mainly smaller short-range vessels which lack specialised refrigeration. Large trawlers from far north Queensland still travel to scallop grounds off Hervey Bay, Bundaberg and Gladstone at times of the year when prawn catches are low or seasonal prawn closures are in place. These boats may work on scallops for 3-4 months.

Scallop catches usually increase from August, with peak catches in October-November; they

decline from January to May-June. These peaks coincide well with the period of increased purchases in Hong Kong and Singapore, leading up to Christmas and the Chinese New Year.

The main management commitment for QLD scallop is a size limit of 95mm between May 1 and November 1 to reduce fishing and ensure adequate breeding scallop for spat fall the next year. Otherwise the size limit is 90mm. Shell size, net length and mesh size, and a ban on daylight trawling, ensure adequate management so far as marketing is concerned.

MEAT SIZE AND COUNTS

The market for roe-off scallop in SE Asia is structured in relation to meat size. Meat size has been expressed in count per pound, with 3 classes: 20-30 to the pound, 20-40 to the pound, and 41-60 to the pound. Larger meats (lower counts) attract a higher price, with the differential between top and second count meat 10-20% (Table 1). There has been discussion of introducing a minimum shell size of 95mm on a year round basis, to reduce the proportion of 41-60 scallop meat on the market. This size scallop is important in overseas sales, as the W.A. fishery produces little 41-60 count meat, and then normally at the end of their season. The QLD fishery is thus able to fill this gap. From a marketing perspective

TABLE 1. Scallop meat count from one processor's records (September 1992 - March 1993).

Meat size-count per pound	Proportion of landings(%)
20/30	22
20/40	43
41/60	35

TABLE 2. Summary of scallop exports and prices from Australia (*=re-export)

Country		Total exports (Tonnes)	WA exports (tonnes)	Value (A\$/kg)	QLD exports (tonnes)	Value (A\$/kg)
Canada	1989	1			1	\$27
	1990	4			4	\$26.85
	1991	27	27	\$15.10		\$
	1992	36	36	\$13.44		\$
Hong Kong	1989	691	96	\$19.70	673	\$21.18
	1990	1375	214	\$23.03	737	\$24.08
	1991	1186	441	\$13.15	1161	\$21.06
	1992	1680	1004	\$14.69	568	\$20.45
Singapore	1989	137	43	\$19.30	921	\$21.92
	1990	192	65	\$15.70	123	\$20.70
	1991	222	177	\$14.65	43	\$20.01
	1992	326	242	\$15.17	78	\$19.67
Taiwan	1989	6	6	\$15.84		
	1990	13	13	\$17.54		
	1991	48	48	\$12.61		
	1992	116	116	\$15.57		
U. K.	1989					
	1990					
	1991	10	10	\$11.73		
	1992	70	70	\$12.90		
U.S.A.	1989					
	1990	15*				
	1991	487	483	\$11.40	4	\$27.62
	1992	1306	1289	\$13.01		
France	1989					
	1990					

nothing should be done to interfere with the natural run of size beyond size limits in force.

EXPORT DESTINATIONS

No information relevant to the quantity of scallop imported into Singapore was available from Austrade, but the following comment on export to Hong Kong is informative: 'Unfortunately there are no disintegrated statistics published by any local source, official or private, on imports of scallops into Hong Kong. Import figures covering this product are incorporated, with those relating

to all sorts of clams, mussels and other shell fish, under a composite category "Molluscs other than Cuttlefish, Squid and Octopus". We have discussed with a number of major seafood importers / distributors, all of whom unanimously agreed that Australia is presently the largest supplier of frozen scallops in this market, accounting for about 70% of the overall sales. Canada is the second major source, sharing, however, no more than 15% of the market. The balance is split between the U.S.A. and Japan. A number of major importers believe that total imports in 1992 could be 2,000–2,500t, of which 1,400–1,800t were from Australia. Consumption by the market in 1992 increased over 1991, probably by c.10%.

Re-exports are reported to be insignificant, almost all being made to Macau and Guangdong, southern China. The trade estimated re-exports averaging less than 5% of total imports.'

The Bureau of Statistics - Foreign Trade Interrogation Facility - supplied data on Australian scallop exports to major importing nations (Table 2). Apart from the 7 major destinations, minor export tonnages were made to 22 countries. The most significant were to Japan, Korea and Malaysia, and originated from Western Australia and Victoria. The main shipment to Japan was 20t in 1990, at the very good price of A\$43.83 FOB per kg. The main source of scallop exported to Malaysia has been Western Australia (56t, price average A\$12.37) and, surprisingly, South Australia (16t at A\$10.73). Australia imports a quantity of scallop in various forms, including frozen, dried, salted and brined (Table 3).

PRICE STRUCTURES

F.O.B. Brisbane prices of 20–40 count QLD scallops (median size) from February–early March shipments are compared with import prices (Table 4). If the 1993 US\$14.00 was converted at the .8205 rate of March 1989, the FOB value would have been A\$16.63 per kg rather than A\$19.62 attained. The declining A\$ has helped maintain prices in the Australian fishery.

There is little scope for price comparison between QLD and imported scallops, much of which is either bred or imported for breeding. The smallest meats (41–60 pieces per pound) produced in the QLD fishery are used only in times of slow sales for local marketing and breeding for the local trade. During 1992, W.A. scallops were purchased by QLD wholesalers for the restaurant trade and general distribution, due to excessive prices of the QLD product.

TABLE 3. Major imports of scallops into Australia

	Quantity (t)	Major supplying nation (t supplied)	Average Price
1989	1001	Thailand (356)	A\$11.68
1990	1527	Japan (606)	A\$13.25
1991	706	Japan (504)	A\$13.19
1992	447	Japan (335)	A\$11.29

SUPPLY AND DEMAND

Production increases in W.A. and Queensland present a real dilemma to the QLD scallop fishery in the past three seasons. Annual production (Table 5) shows that the W. A. fishery has been well above average, exceeding QLD production.

Market prices (Table 2) indicate that scallop connoisseurs of the world are in Hong Kong and to a lesser extent in Singapore, where especially attractive prices have been paid for the QLD product. This is attributed to the good quality, colour and texture which has earned premiums of US\$6.00 per kg and more on occasions, above the same size W.A. product.

The Hong Kong market is of the order of 2,500t per year, with about 70–75% from Australia. Virtually no roe-on scallop is consumed in Hong Kong, but some is used in Singapore and Taiwan. If the Australian proportion of the Hong Kong market is assumed to be approximately 1,800t annually and the equivalent Singapore demand is 600t, the production position and distribution for 1990–1992 appears as in Table 6.

Total W.A. and QLD production probably offered a full supply in 1990 to the existing market demand for Australian product. In subsequent years production exceeded the quantity that Hong Kong plus Singapore could absorb. W.A. is supplying many more markets than Queensland (including the U.S.A., Taiwan, France and the U.K.) Wholesalers from these destinations balk at paying the premium price paid for QLD scallops which has been available in Hong Kong and Singapore; thus QLD wholesalers are left with

TABLE 4. FOB prices of 20–40 count scallop meats for February–early March shipments of Queensland saucer scallops.

	Price (US\$)	FOB Price (A\$)	Exchange Rate
1989	\$14.00	\$19.62	.6980
1990	\$17.00	\$21.97	.7590
1991	\$18.00	\$22.81	.7745
1992	\$19.60	\$25.20	.7646
1993	\$17.00	\$20.27	.8205

only two viable markets. During 1992, many Hong Kong buyers expressed the view that the high price premium of QLD scallop over W. A. scallop should be reduced, not because W. A. scallop meat quality had improved, but because many restaurants and other users were happy with the W.A. quality 'AT THE PRICE'. This has a most serious implication for QLD scallop (Table 7). These data illustrate Queensland's declining share in its two niche markets: so much so that Hong Kong buyers are advising the QLD scallop share of their market is about 30% (Table 7).

As Queensland again experienced very strong production during 1992 (approximately 2,000t) and excellent landings during January and February 1993, the conclusion that substantial unsold stocks of scallops exist in Queensland must be drawn.

TABLE 5. Annual production of saucer scallops in Australia.

	WA (tonnes)	QLD (tonnes)
1988	731	792
1989	121	745
1990	486	1539
1991	2532	820
1992	4144	2000 (estimate)

In the period between April and September sales of scallops in Hong Kong and Singapore will be reduced. The entertainment and festive occasions which is the period of highest demand start again in about September. There are two clouds on the horizon for QLD scallops: 1, the large stock of scallop stored and 2, an anticipated good season for the W.A. fishery.

DISCUSSION

Boutique has been interpreted as being of special quality and attraction in a niche market situation. If this reasoning is correct, the markets which have been willing to pay a premium for QLD scallops are limited by that premium over other acceptable scallop qualities. The quality of W.A. scallop has been demonstrated to be acceptable 'at the price' and this has resulted in substantial erosion of Queensland's market share in the only markets willing to pay a premium for Queensland quality.

The dilemma arises as a consequence of strong production rises in both Australian producers of saucer scallops in much the same market period. How does Queensland defend its market share in

TABLE 6. Production, exports and imports of saucer scallops

	Total production (t)	W.A. production	QLD production	Hong Kong imports	Singapore imports
1990	2025	486	1539	1800	600
1991	3352	2532	820	1800	600
1992	2025	4144	c.2000	1800	600

its niche markets? Quality of handling and packing must be maintained at all times, but if higher production, in the order of the last few years, is maintained, Queensland must address the supply and demand effects of market forces by making strong attempts to diversify to other destinations.

Market diversification by QLD wholesalers at prices similar to, or at a slight premium over W.A. scallop is possible. One Hong Kong buyer has indicated that he would return to purchasing QLD scallop if the premium was reduced to about US\$1.50–2.00/kg. Should this occur, we could expect rationalisation in the catching sector, which could have marketing implications.

In the last 4 years, QLD scallop exports have been almost exclusively to Hong Kong and Singapore. W. A. sales, on the other hand, have been to 3 major markets, and to 5 other substantial markets in which QLD wholesalers do not participate.

Production and exports for 1992 (Table 8) indicate quantities of scallops from W.A. and QLD which have been sold locally or held in store. There is no way of estimating the local sale component of the 1250t which appear not to have been exported at the end of 1992, nor of the quantity shipped in early 1993, but whatever this amount may be there is still a substantial stock awaiting sale and export. Much of this stock will attract costs associated with cold storage, which cannot be recovered on the basis of current market prices from Hong Kong or Singapore. Stock purchased at lower prices subsequent to this time can still be profitable at current prices from Hong Kong and Singapore, but could not cover bare costs at prices in other markets.

TABLE 7. Market share of saucer scallops.

To:	Hong Kong		Singapore	
From:	WA	QLD	WA	QLD
1990	16%	84%	35%	65%
1991	37%	62%	80%	20%
1992	60%	40%	75%	25%

All of this presupposes continuing high production, which may be influenced by weather factors, rain, water temperature, currents and other variables. As if these variables were not enough to contend with, the exchange rate has had an adverse effect on prices. The A\$ strengthened against the U.S.\$ from .6785 to .7157 (bank to buy) at the end of March 1993. For one particular grade of scallop we sold at US\$14.31 candf Hong Kong this reduced the A\$ value by A\$1.09/kg.

Marketers of QLD scallop will continue to seek out and sell in the best world destinations. If these are restricted by price to two markets and market circumstances do not change, the present product in store may not be marketed until the end of 1993. Quite obviously, costs of product in store can never be reduced.

TABLE 8. Production and export destination of saucer scallops in 1992.

Product destination	W. A. production (t)	QLD production (t)
Hong Kong	1004	673
Singapore	242	78
Five substantial markets	1717	nil
Six minor markets	105	nil
Estimated unsold stock and local sales	1076	1250
Total production	4144	c. 2000

Comments from an overseas buyer who supplied pricing information to us include "Unfortunately most of us in the seafood commodity business operate on the basis of an infinite number of short run decisions and cannot afford (or believe we cannot afford) the luxury of long-range planning. The Queensland fisherman and 99.9% of the seafood industry, does not understand the problem if we lose our niche market. We allow the serene song of the highest beach price to destroy what maximises revenue over the long run. We believe the short run is the long run and are not prepared for logical results of our illogical assumption. If the W.A. scallop destroys Queensland's niche market, the long run revenue implications for the Queensland scallop are not promising."

In many ways the decade-long 80's bubble of Japanese stocks and properties poured gasoline onto the fire of supply driven seafood markets. We are now being forced to come to terms with the charred remains and it is not a joyful experience."